



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
CARLISLE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CARLISLE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Auditor of Public Accounts has completed the Carlisle County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances increased by \$133,073 from the prior fiscal year, resulting in a cash surplus of \$664,644 as of June 30, 2000. Revenues decreased by \$362,599 from the prior year and disbursements decreased by \$312,515.

#### **Report Comments:**

- The County Should Have Required Depository Institutions To Pledge Additional Securities of \$178,464 As Collateral To Protect Deposits.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable John Roberts, Carlisle County Judge/Executive  
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Carlisle County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Carlisle County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Carlisle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Carlisle County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable John Roberts, Carlisle County Judge/Executive  
Members of the Carlisle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2002 on our consideration of Carlisle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Have Required Depository Institutions To Pledge Additional Securities of \$178,464 As Collateral To Protect Deposits.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Carlisle County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 22, 2002

CARLISLE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

John G. Roberts	County Judge/Executive
Roy W. Davis	Magistrate
Harold Wilson	Magistrate
Burley Mathis	Magistrate
Lloyd Presson	Magistrate
James P. McPherson	Magistrate

**Other Elected Officials:**

Michael Hogancamp	County Attorney
Larry Bryassee	Jailer
Theresa Owens	County Clerk
Kevin Hoskins	Circuit Court Clerk
Steve McChristian	Sheriff
Larry Scott	Property Valuation Administrator
Wayne Floyd	Coroner

**Appointed Personnel:**

Lavada Bean	County Treasurer
Gail Teasley	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CARLISLE COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets

General Fund Type

General Fund:			
Cash	\$	2,043	
Road and Bridge Fund:			
Cash		324,964	
Jail Fund:			
Cash		1,215	
Local Government Economic Assistance Fund:			
Cash		9	
Industrial Development Authority Fund:			
Cash		241,267	
Payroll Revolving Account - Cash		<u>9,844</u>	\$ 579,342

Special Revenue Fund Type

Disaster and Emergency Services Fund:			
Cash	\$	2,963	
Ambulance Fund:			
Cash		87,821	
911 Fund:			
Cash		<u>4,365</u>	<u>95,149</u>
Total Assets			<u>\$ 674,491</u>

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

Industrial Development Authority Fund:

Note Payable (Note 4)	\$	25,000	
Payroll Revolving Account		<u>9,844</u>	\$ 34,844

Fund Balances

Reserved:

General Fund Type

Industrial Development Authority Fund			216,267
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Unreserved:

General Fund Type

General Fund	\$	2,043	
Road and Bridge Fund		324,964	
Jail Fund		1,215	
Local Government Economic Assistance Fund		<u>9</u>	328,231

Special Revenue Fund Type

Disaster and Emergency Services Fund	\$	2,963	
Ambulance Fund		87,821	
911 Fund		<u>4,365</u>	<u>95,149</u>
Total Liabilities and Fund Balances			<u>\$ 674,491</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CARLISLE COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,758,303	\$ 280,025	\$ 1,018,960	\$ 66,513
Transfers In	279,935	169,477		46,500
Industrial Development Authority	13,121			
Total Cash Receipts	<u>\$ 2,051,359</u>	<u>\$ 449,502</u>	<u>\$ 1,018,960</u>	<u>\$ 113,013</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,630,816	\$ 375,288	\$ 695,462	\$ 118,458
Industrial Development Authority	331			
Transfers Out	279,935	91,210	162,477	
Note Payable:				
Principal Paid	5,000			
Interest Paid	2,204			
Total Cash Disbursements	<u>\$ 1,918,286</u>	<u>\$ 466,498</u>	<u>\$ 857,939</u>	<u>\$ 118,458</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 133,073	\$ (16,996)	\$ 161,021	\$ (5,445)
Cash Balance - July 1, 1999	<u>\$ 531,571</u>	<u>\$ 19,037</u>	<u>\$ 163,943</u>	<u>\$ 6,660</u>
Cash Balance - June 30, 2000	<u><u>\$ 664,644</u></u>	<u><u>\$ 2,041</u></u>	<u><u>\$ 324,964</u></u>	<u><u>\$ 1,215</u></u>

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2000  
(Continued)

General Fund Type		Special Revenue Fund Type			Capital Project Fund Type	
Local Government	Industrial	Disaster and	Ambulance	911 Fund	Sewer	
Economic Assistance Fund	Development Authority Fund	Emergency Services Fund	Fund		Fund	
\$ 4,922	\$	\$ 14,761	\$ 161,899	\$ 74,747	\$ 136,476	
1,160		17,798	20,000	25,000		
	13,121					
\$ 6,082	\$ 13,121	\$ 32,559	\$ 181,899	\$ 99,747	\$ 136,476	
\$ 7,495	\$	\$ 32,244	\$ 169,399	\$ 95,747	\$ 136,723	
	331		24,360	1,888		
	5,000					
	2,204					
\$ 7,495	\$ 7,535	\$ 32,244	\$ 193,759	\$ 97,635	\$ 136,723	
\$ (1,413)	\$ 5,586	\$ 315	\$ (11,860)	\$ 2,112	\$ (247)	
\$ 1,422	\$ 235,681	\$ 2,648	\$ 99,680	\$ 2,253	\$ 247	
\$ 9	\$ 241,267	\$ 2,963	\$ 87,820	\$ 4,365	\$ 0	

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Carlisle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Industrial Development Authority as part of the reporting entity.

Industrial Development Authority

The fiscal court has included the Industrial Development Authority as part of its reporting entity because they appoint a voting majority of the governing board and can impose their will to significantly influence the activities of the authority. The financial statements of the Industrial Development Authority are blended.

Additional - Carlisle County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Carlisle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Carlisle County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Carlisle County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Industrial Development Authority Fund.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Disaster and Emergency Fund, the Ambulance Fund, and the 911 Fund of the fiscal court are reported as Special Revenue Fund Types.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Sewer Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Carlisle County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Industrial Development Authority Fund. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Carlisle County Cooperative Extension Service is considered a related organization of the Carlisle County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$178,464 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by pledging depository institution in the county's name	\$ 279,397
Uncollateralized and uninsured	<u>178,464</u>
Total	<u><u>\$ 457,861</u></u>

Note 4. Note Payable

The Industrial Development Authority purchased land from Jack and Mary Boswell, in the amount of \$50,000, for economic development. The initial payment of \$5,000 was paid on May 9, 1996, and the remaining balance of \$45,000 was set up in a promissory note where a payment of \$7,204 was to be paid to the Boswells each April. As of June 30, 2000, the principal balance was \$25,000.

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2001	\$ 2,204	\$ 5,000
2002	2,204	5,000
2003	2,204	5,000
2004	2,204	5,000
2005	<u>2,204</u>	<u>5,000</u>
Totals	<u><u>\$ 11,020</u></u>	<u><u>\$ 25,000</u></u>

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 5 Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Description	Purchase Date	Maturity Date	Interest Rate	Amount	
Voting Machine	8/13/1992	8/20/2002	3.75%	\$	9,499
1998 1-Ton Truck	9/18/1998	11/20/2001	5.08%	\$	10,400

Note 6. Insurance

For the fiscal year ended June 30, 2000, Carlisle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



CARLISLE COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 370,422	\$ 280,025	\$ (90,397)
Road and Bridge Fund	1,009,064	1,018,960	9,896
Jail Fund	113,209	66,513	(46,696)
Local Government Economic Assistance Fund	7,160	4,922	(2,238)
<u>Special Revenue Fund Type</u>			
Disaster and Emergency Services Fund	32,009	14,761	(17,248)
Ambulance Fund	144,751	161,899	17,148
911 Fund	105,426	74,747	(30,679)
<u>Capital Projects Fund Type</u>			
Sewer Fund	<u>956,685</u>	<u>136,476</u>	<u>(820,209)</u>
Totals	<u>\$ 2,738,726</u>	<u>\$ 1,758,303</u>	<u>\$ (980,423)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,738,726
Add: Budgeted Prior Year Surplus			<u>299,515</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,038,241</u>

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SCHEDULE OF OPERATING REVENUE



CARLISLE COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

Revenue Categories	GOVERNMENTAL FUND TYPE			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type
Taxes	\$ 356,032	\$ 199,571	\$ 156,461	\$
In Lieu Tax Payments	8,905	8,905		
Excess Fees	964	964		
Licenses and Permits	1,620	1,620		
Intergovernmental Revenues	1,268,219	1,098,457	33,286	136,476
Charges for Services	78,432	27,289	51,143	
Miscellaneous Revenues	31,703	26,226	5,477	
Interest Earned	12,428	7,388	5,040	
Total Operating Revenue	<u>\$ 1,758,303</u>	<u>\$ 1,370,420</u>	<u>\$ 251,407</u>	<u>\$ 136,476</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



CARLISLE COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 284,495	\$ 299,517	\$ (15,022)
Protection to Persons and Property	107,150	116,358	(9,208)
General Health and Sanitation	2,025	1,184	841
Social Services	500		500
Recreation and Culture	1,697	3,021	(1,324)
Roads	536,258	558,279	(22,021)
Debt Service	4,200	4,329	(129)
Capital Projects	90,000	109,910	(19,910)
Administration	665,556	104,105	561,451
<b>TOTAL BUDGET - ALL GENERAL FUND TYPES</b>	<u><u>\$ 1,691,881</u></u>	<u><u>\$ 1,196,703</u></u>	<u><u>\$ 495,178</u></u>

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 243,424	\$ 276,931	\$ (33,507)
Administration	146,251	20,459	125,792
<b>TOTAL BUDGET - ALL SPECIAL REVENUE FUND TYPES</b>	<u><u>\$ 389,675</u></u>	<u><u>\$ 297,390</u></u>	<u><u>\$ 92,285</u></u>

Expenditure Categories	CAPITAL PROJECTS FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Capital Projects	\$ 956,685	\$ 136,723	\$ 819,962
<b>TOTAL BUDGET - ALL CAPITAL PROJECTS FUND TYPE</b>	<u><u>\$ 956,685</u></u>	<u><u>\$ 136,723</u></u>	<u><u>\$ 819,962</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable John Roberts, Carlisle County Judge/Executive  
Members of the Carlisle County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Carlisle County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carlisle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$178,464 As Collateral To Protect Deposits.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carlisle County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 22, 2002

COMMENT AND RECOMMENDATION



CARLISLE COUNTY  
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2000

The County Should Have Required Depository Institutions To Pledge Additional Collateral of \$178,464 To Protect Deposits

---

On June 30, 2000, \$178,464 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Judge/Executive John G. Robert's Response:*

*We will comply with the request. The Carlisle County Fiscal Court has been led to believe by the Bardwell Deposit Bank, that indeed, all public funds were secured by pledge of sufficient collateral.*



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

CARLISLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

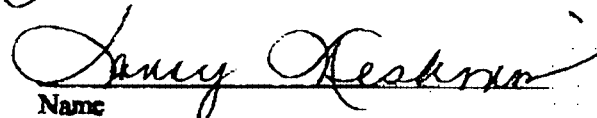


**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**  
**CARLISLE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Carlisle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Name  
County Judge/Executive

  
Name  
County Treasurer